ACQUISITION FRAUD AWARENESS

Unclassified

NCIS--WHO WE ARE

- Special Agent/1811 Series Criminal Investigators
- Mission
  - Prevent Terrorism
  - Protect Secrets
  - Reduce Crime

NCIS
NAVAL CRIMINAL INVESTIGATIVE SERVICE

ECONOMIC CRIMES MISSION

- Safeguard the integrity of the Department of Navy (DON) acquisition programs
- Enhance fleet readiness/safety by conducting investigations/initiative operations to reduce fraud in t ess

OVERVIEW

- Fraud Defined
- Procurement Fraud
  - Categories/Cases/Indicators
- Remedies
- Questions

FRAUD DEFINED

- Intentional misrepresentation of a material fact made by one person with the purpose of inducing another person to act; resulting in injury or damage.

MAJOR PROCUREMENT FRAUD CATEGORIES/CASES/INDICATORS

- Bribery
- Subcontractor Kickbacks
- Cost Mischarging
- General Procurement
- Product Substitution
- Collusion

BRIBERY OF PUBLIC OFFICIALS

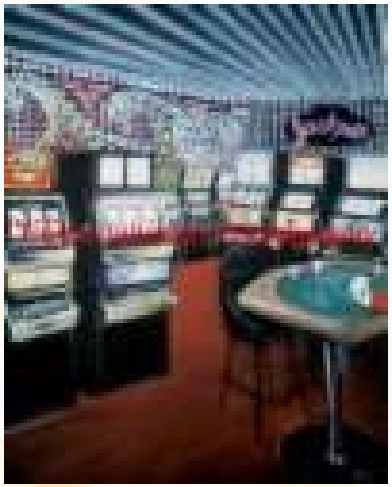
The offering, giving or soliciting something of value for the purpose of influencing the action of an official in the discharge of his or her public duties.

BRIBERY INDICATORS

- Corrupt recipients often spend big or pay off debts with large lump sums
- Changes in behavior are common as individuals receiving bribes often live above their means
- Corrupt recipients will often break rules or direct subordinates to ignore standard operating procedures
- Corrupt payers routinely offer inappropriate gifts or entertainment
- Once the contract is in place, the quality of their product often deteriorates

SUBCONTRACTOR KICKBACKS

Subcontractor provides something of value, directly or indirectly, to a primary contractor in order to influence a business decision and secure a contract



KICKBACK INDICATORS

- Contractors favor specific subcontractors
- Poor or late service by a subcontractor is ignored or excused
- Product documentation is routinely late or incomplete

COST MISCHARGING

Improper allocation of costs or the charging of unallowable costs, directly or indirectly, to a government contract usually resulting in the Government being overcharged for goods and services.

COST MISCHARGING INDICATORS

- Billing employees at higher labor rates than they are qualified
  - Low level technicians are billed as senior engineers
- Billing for employees that do not exist, ‘ghost employees’
- Failing to pass on discounts, credits or refunds received for material
- Double or triple billing for products and/or services not received

PRODUCT SUBSTITUTION/DEFECTIVE PRODUCTS

The intentional submission by the contractor to the Government directly or indirectly of goods and/or services that do not conform to the contract specifications or requirements, without informing the customer.

PRODUCT SUBSTITUTION INDICATORS

- Delivery of inferior/substandard material
- Delivery of untested materials
- Falsification of test results
- Used, surplus or reworked parts
- Counterfeit products
- Failure of contractor to perform contractually required tests
- Submission of falsified compliance certificates
- Delivery of commercial equivalents
- Creating samples specifically for testing and inspection
- Movement of inspection tags to uninspected goods
- Substitution of look-alike goods

COLLUSION

Group of companies with the capability of providing the same goods or services conspire to exchange bid information on contract solicitations and take turns on submitting the low bid—Defeats the competitive bidding process.

COLLUSION INDICATORS

- Receipt of only one bid
- One bid much lower than others
- Protests filed by bidders
- Same vendors bidding on same contracts
- Wide disparity between losing and winning bids
- Same addresses/phone numbers listed for companies
- Company not registered in CCR
- Unsuccessful bidders become subcontractors

GOVERNMENT PURCHASE CARD

- High Risk of Fraud
- Allows same person to order, pay for, and receive goods and services
- Approving Officials must ensure compliance with Policies

GPC FRAUD INDICATORS

- Missing Receipts/Invoices
- Missing/Stolen GPC ordered Products and Services
- Split Purchases
- Unauthorized Purchases
- Purchases of personal use items
- Missing Approval Signatures

REMEDIES

- Prosecution
  - Criminal (beyond reasonable doubt)
  - Civil (preponderance of evidence)
- Recoveries/Recoupments
  - Fines
  - Forfeitures
- Administrative Remedies
  - Suspension
  - Debarment
  - Termination of contract
  - Offset to contract

Contact Information

- *NCISHQ Fraud Hotline*

  (800) 264 – 6485
- *Multiple Threat Alert Center (MTAC)*

  (202) 433-9418
- ncistipline@ncis.navy.mil